

ROUTING AND TRANSMITTAL SLIP		Date
		24 July 1985
TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. EXO/DDA	<i>Ed</i>	24.7
2. ADDA	<i>has copy</i>	
3. DDA	<i>[Signature]</i>	24 JUL 1985
4.		
5. <i>DDA/Reg - log & file</i>		
Action	File	Note and Return
Approval	For Clearance	Per. Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

REMARKS

cc: Director of Personnel

Done 24 July 1985

This was hand carried by [] at 1130 - 24 July. We provided DCI-PDCI-EXDIR with copies of Book "Retirement Legislation". ADDA & DGP were consulted.

We gave [] the attached bullets on Flat Rate Per Diem. The details in the proposed Memo to DCI was not truly germane to this White House Meeting. Congress is proposing increased per diem rates to new travel policy. This could be "excess cost of flat rate per diem".

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)

Room No.—Bldg.

Phone No.

5041-102

OPTIONAL FORM 41 (Rev. 7-76)
Prescribed by GSA
FPMR (41 CFR) 101-11.206

THE WHITE HOUSE

WASHINGTON

July 23, 1985

Executive Registry

85-2922

85-2590

MEMORANDUM FOR THE DOMESTIC POLICY COUNCIL

FROM:

RALPH BLEDSOE

Executive Secretary

30-13
20-15

SUBJECT:

Domestic Policy Council Meeting on July 24

Attached are an agenda and papers for the Domestic Policy Council meeting scheduled for Wednesday, July 24, 1985 at 2:00 p.m. in the Roosevelt Room. Two agenda items will be covered, along with a discussion of Council working groups.

The first agenda item will include a review of Flat-Rate Per Diem proposals. Members of Congress have discussed introduction of legislation mandating new travel policies, including increases in per diem rates. GSA and OMB have views on Administration actions that should be considered, consistent with executive branch responsibilities. Terry Golden, GSA Administrator, will present this issue to the Council. No papers are provided in advance, but information will be handed out at the meeting.

The second agenda item will include discussion of the new Federal Employees Retirement System, which is to be in place by January 1, 1986. This system will cover Federal employees hired since January 1, 1984 and numerous elected and appointed officials. Senators Roth and Stevens have been preparing a bill, and wish the Administration's views on certain features to be included in their bill. Joe Wright will describe the proposals and status of this issue. An OMB paper is included for your review prior to the meeting.

In addition to the above, the Chairman Pro Tempore will discuss the Domestic Policy Council's working groups.

Attachments

**THE WHITE HOUSE
WASHINGTON**

DOMESTIC POLICY COUNCIL

Wednesday, July 24, 1985

2:00 p.m.

Roosevelt Room

AGENDA

- 1. Flat Rate Per Diem**
- 2. Federal Employees Retirement System**



**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D C 20503**

July 22, 1985

MEMORANDUM FOR THE DOMESTIC POLICY COUNCIL

**SUBJECT: New Retirement System for Federal
 Employees Covered by Social Security**

Introduction

Senators Roth and Stevens are co-sponsoring legislation to create a new retirement system for Federal employees covered by Social Security. The Office of Personnel Management and the Office of Management and Budget support the overall Roth/Stevens design for the new system. The Chief of Staff has been apprised by the Senators of the likely contents of their bill and has indicated general support of their approach, with the caveat that a cost-of-living adjustment giving 100 percent of the increase in the Consumer Price Index would be unacceptable.

Background

When Congress extended Social Security coverage to Federal employees hired after December 31, 1983, it created the need for a new retirement system to supplement Social Security benefits. (The Civil Service Retirement System, which covers Federal workers generally, was designed to apply to people without Social Security coverage, so it is inappropriate and too expensive to use it for the new group.)

Congress recognized the need for a new retirement system, but was not prepared to create one at the time Social Security coverage was extended. With Administration support, Congress set up a two-year transition arrangement for new employees: they pay 1.3 percent of salary to CSRS (instead of 7 percent) plus the Social Security tax and are eligible for CSRS benefits offset by Social Security benefits.

This arrangement expires December 31, 1985. If a new system is not in place and legislation is not enacted to extend the transition scheme, post-1983 employees will have to pay the full 7 percent to CSRS and approximately 7 percent to Social Security.

Action to Date

- o The President's 1986 Budget indicated that the Administration would seek a new retirement system costing about 20 percent of payroll, including the employer's Social Security tax, and using a defined contribution approach for at least part of

the benefits. (A defined contribution plan specifies how much the employer will put aside towards an employee's retirement; the actual benefits are determined at the time of retirement based on the amount, including contributions and earnings, to the employee's credit.)

In March, OPM submitted a legislative proposal to OMB to establish a new retirement system. It was circulated to the agencies for comment. The agencies expressed serious reservations about the OPM proposals because they were concerned that a purely defined contribution approach shifted too much risk to employees and contained no incentives for employees to continue Government employment in order to maximize their retirement benefits. After reviewing the agency comments, OPM decided to rethink its proposal and has chosen not to redesign or resubmit it primarily because of agreement with OMB on positive developments in the Roth/Stevens efforts to fashion an acceptable plan at a reasonable cost.

Roth/Stevens Plan

Senators Roth and Stevens have been working together over the last several months to prepare a bill for a new retirement system, with potential Democratic support fading in and out of the picture. They are pressing hard to introduce the bill before the August recess. The details of the Roth/Stevens plan are not yet settled but the outline of the plan has been set. It follows closely the practices of the private sector in providing for employee retirement and consists of three tiers:

1. Social Security provides the basic protection against death, disability, and retirement.
2. A defined benefit plan provides the second source of retirement income, with a disability insurance plan as well.
 - o Benefits would be calculated based on length of service and high-five-year average salary (the current CSRS also uses this defined benefit approach but is based on a high-three salary).
 - o Limited protection against inflation would be provided by increasing benefits automatically for a portion of any increase in the Consumer Price Index (CPI). A cost-of-living adjustment between 50 and 75 percent of the CPI is being discussed.
3. A Thrift Plan provides employees an opportunity to save current income to increase their own retirement benefits.
 - o Employee contributions to the Thrift Plan would be tax deferred, i.e., income tax would be collected when the money is withdrawn from the plan rather than when the employee earns the money.

- o The Government would match employee contributions to the plan (at a rate between 50 cents and \$1.00 from the Government for each employee dollar).
- o Employees would be able to choose among several investment funds--e.g., a Government Securities fund, a fixed income fund, a stockmarket fund.
- o A new off-budget agency would be created to administer the Thrift Plan.

The cost of the Roth/Stevens plan is within the range contemplated by the Budget. Depending on the Senators' final decisions, the cost will be between 19 and 22 percent of payroll. This compares to the cost to the Government of the current CSRS, using OPM economic assumptions of 28 percent of payroll.

Generally, benefits under the Roth/Stevens plan would be better than benefits under CSRS for employees who leave before retirement age and for employees who work to age 62. Benefits would not be as liberal as at present for those who retire at the early age of 55.

Law enforcement officers, firefighters, and air traffic controllers would continue to be eligible for early retirement, though at age 55 rather than 50, with unreduced benefits. The Foreign Service Retirement System and the CIA Retirement and Disability System would not be affected by the Roth/Stevens bill.

Employees covered by CSRS would be permitted to elect to enter the new system, in which case the benefits they have earned under CSRS would be preserved and subsequent benefits would be earned under the new system.

Next Steps

The Roth/Stevens proposal has general Administration support (with the caveat that full COLA is unacceptable). When the bill is introduced, it will be circulated to agencies for comment and the Administration will seek to resolve any particular problems that are found.

DCI:

The first agenda item in this afternoon's meeting deals with a review of Flat-Rate Per Diem proposals. The Agency is generally supportive of any legislation that will implement Flat-Rate policy, especially if it includes an increase in per diem rates and comparable new travel policies. Below, you will find an input from the Office of Finance which sets forth why we find Flat-Rate policies attractive:

FLAT RATE ADVANTAGES

1. Accounting time required by the traveler: greatly reduced.
2. Requirement for receipts: eliminated.
3. Storage, handling and verification of information: essentially eliminated.
4. OF/OP processor time: greatly diminished.
5. Appeals and questions by the travelers: greatly reduced.
6. Temptation to fudge!:: eliminated.
7. Morale of the troops: significantly improved.
8. The DA: seen as streamlining the system and helpful.

JK

ADMINISTRATIVE - INTERNAL USE ONLY

DD/A Registry
85-0944/4

DRAFT

MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director of Central Intelligence
Executive Director

FROM: Harry E. Fitzwater
Deputy Director for Administration

SUBJECT: Establishment of Flat Rate Per Diem System
for Domestic TDY Travel

1. Action Requested: Your approval to establish a flat rate per diem system for domestic TDY travel performed by Agency personnel, for a six month period, on a trial basis. This system would be based upon an Air Force flat rate per diem concept which provides for payment of a locality-based flat rate per diem allowance for official domestic travel and eliminates the current actual expense method of reimbursement.

2. Background: At this time, the Agency uses three different methods to compute subsistence allowances for domestic TDY travel (High Rate Geographic Areas/Actual Subsistence; Lodgings Plus; and Mixed Mode). It does so in order to comply with legislative requirements and travel regulations administered by General Services Administration (GSA). The difficulty with the current high rate area concept and its statutory requirement for an actual expense method of reimbursement is that it requires detailed itemization of each day's expenses with lodging costs supported by receipts. Preparing, reviewing, and auditing actual expense travel vouchers is administratively costly, time consuming, and burdensome.

In September 1983, GSA proposed to Congress that a flat rate per diem system be adopted for travel in the United States. At that time, it was GSA's estimate that the increased cost impact on travel funds would be more than offset by the advantages of the system and the administrative cost savings resulting from the simplified and less complicated reimbursement system. This proposed bill was not enacted. Congress, however, did authorize, in the DOD Authorization Bill for 1985, the Air Force, Defense Contract Audit Agency (DCAA), and Defense Logistics Agency (DLA), to run a two-year test of the concept starting in February 1984. Although no test results have been published, we understand that all strongly endorse continuing the flat rate concept.

Surveys conducted by the Office of Finance and Central Travel Services indicate that adoption by the Agency of a flat rate per diem concept will result in additional travel costs of approximately ten percent over those presently being incurred. To offset these increased costs, it is proposed that the maximum rates for high rate geographical areas published by GSA be

ADMINISTRATIVE - INTERNAL USE ONLY

ADMINISTRATIVE - INTERNAL USE ONLY

reduced by ten percent and the resulting figure rounded upwards to the nearest dollar. The amounts derived would make up the flat rate per diem rates for the high rate areas. No reduction would be made to the \$50.00 CONUS per diem rate that applies to all areas not classified as high rate areas.

These administratively set per diem rates, while generally adequate, would be insufficient for particular travel assignments or travel to certain high cost areas of CONUS. Therefore, the authority for reimbursement of actual and necessary expenses not to exceed \$75 per day for travel within CONUS would be retained as an option available to the traveler in lieu of flat rate per diem payments. We are convinced that many benefits will accrue from the flat rate concept, not the least of which would be to enhance employee morale. Faster processing of the accountings with less audit time are other benefits. The proposal to limit the flat rate application to ~~4000~~ travelers for a six month period will provide a firm statistical background of actual travel experience. Accountings can be analyzed, reviewed and serve as the basis for submission of a future recommendation for the continuation and expansion or termination of the flat rate per diem system.

3. Recommendation: That you approve the adoption of a flat rate per diem system for the Agency on a six-month trial basis as outlined above. This recommendation has been concurred in by the General Counsel.

Harry E. Fitzwater

CONCUR:

Executive Director

Date

Deputy Director of Central Intelligence

Date

APPROVED:

Director of Central Intelligence

Date

ADMINISTRATIVE - INTERNAL USE ONLY